STATE OF LOUISIANA

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - NURSING FACILITY SERVICES AND INTERMEDIATE CARE FACILITY SERVICES FOR THE MENTALLY RETARDED

The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

STATE LA
DATE REC'D 12-31-97
DATE APPVD 2-5-98
DATE EFF 10-1-97
HCFA 179 97-27

A

SUPERSEDES: NONE NEW PAGE

STATE OF LOUISIANA

TABLE OF CONTENTS

SUPERSEDES: TN • 95-01

TN# _____ Approval Date _____ Effective Date

Supersedes
TN# _____

STATE LA
DATE RECD 9-30-96
DATE APPV'D 10-17-97
DATE EFF 7-2-96
HCFA ID 9534

dac A

STATE OF LOUISIANA

STATE Louisiana
DATE RCVD APR 0 3 1996
DATE APPD OCT 0 8 1996
DATE EFF JAN 1 0 1995
HCFA 179 95-01

A

TN# 95-01 Approval Date 10/8/96 Effective Date 01/10/95
Superseder
TN# None-New Page

SUPERSEDES: NONE - NEW PAGE

STATE LA DATE RECD 4-2-93 DATE APPD 4-14-98 DATE EFF 1-1-93 HCFA 179 93-08	A

INTRODUCTION

The Department of Health and Hospitals, Office of the Undersecretary, Bureau of Health Services Financing, has developed methods for determining payment rates for provision of long term care services by private and State nursing facilities under Title XIX of the Social Security Act. These rates are determined on a basis which recognizes the need for accountability for public funds, as well as the provider's right to a fair payment for services rendered.

The Bureau's intent is to determine payment rates which recognize differences in costs and yet ensure that luxury care or increased costs resulting from inefficient management or unallowable costs are not reimbursed with public monies.

I. METHOD FOR REIMBURSEMENT TO NURSING FACILITIES

A. General Statement

The Bureau has designated a system of prospective payment amounts based on recipient Levels of Care: Intermediate Care I (IC-I), Intermediate Care II (IC-II), Skilled Nursing (SN), Skilled Nursing/Infectious Disease (SN/ID), Skilled Nursing/ Technology Dependent Care (SN/TDC), and Neurological Rehabilitation Treatment Program (NRTP) which includes Rehabilitation Services and Complex Care Services, etc. Facilities may furnish any or all of these levels of care to residents. Every nursing facility must meet the requirements of OBRA '87.

B. Filing of Cost Reports

Providers of nursing home services under Title XIX are required to file annual cost reports as follows:

Providers of SN, IC-I, IC-II, and NRTP Levels of Care are required to report all reasonable and allowable costs on a regular nursing facility cost report.

Providers of SN/ID and SN/TDC Levels of Care are required to report the incremental cost of providing those services on the Specialized Services Supplement Cost Report form.

Separate cost reports must be submitted by central/home offices when costs of the central/home offices are reported in a facility's cost report.

SUPERSEDES: TN. 95-01

STATE LA
DATE RECD 9-30-96
DATE APPVD 10-17-97
DATE EFF 7-2-96
96-34

A

A chart of accounts and an accounting system on the accrual basis are required in the cost report preparation process.

Bureau personnel or their contractual representative will perform desk reviews of the cost reports within six months of the date of submittal. In addition to the desk review, a representative number of the facilities are subject to a full-scope, on-site audit annually.

1. Initial Reporting

   The initial cost report submitted by Title XIX providers of long term care services must be based on the most recent fiscal year end. The report must contain costs for the twelve month fiscal year.

2. Subsequent Reports

   Cost reports shall be submitted annually by each provider within ninety (90) days of the close of the facility's normal fiscal year end.

3. Exceptions

   Limited exceptions to the report requirement will be considered on an individual facility basis upon written request from the provider to Department of Health and Hospitals, Section Chief, Institutional Reimbursement Section. If an exception is allowed, providers must attach a statement describing fully the nature of the exception for which prior written permission was requested and granted. Exceptions which may be allowed with written approval are as follows:

   a. For the initial reporting period only, the provider may allocate costs to the various cost centers on a reasonable basis if the required itemized cost breakdown is not available.

   b. If the facility has been purchased, leased or has effected major changes in the accounting system as an on-going concern within the past twelve (12) months, a six month cost report may be filed in lieu of the required twelve month report.

   c. If the facility experiences unavoidable difficulties in preparing the cost report by the prescribed due date, an extension may be requested prior to the due date. Requests for exception must contain a full statement of the cause of difficulties which rendered timely preparation of the cost report impossible.

   d. If a facility is new, it will not be required to file a cost report for rate setting purposes until one full operating year is completed.

4. Sales of Facilities

In the event of the sale of a Title XIX facility, the seller is required to submit a cost report covering the period from the date of its last fiscal year end to the date of sale.

If the purchaser continues the operation of the facility as a provider of Title XIX services, he is required to furnish an initial cost report covering the period from the date of purchase to the end of the facility fiscal year designated by the new owner. Thereafter, the facility will file a cost report annually on the purchaser's designated fiscal year end.

EXAMPLE: Mr. X purchased facility J from Mr. Q on September 1, 1996. Facility J's fiscal year end, prior to purchase, was 12/31/96. Mr. Q is required to file a cost report for the period 1/1/96 through the period 8/31/96. If Mr. X decides to change facility J's fiscal year end to 6/30/96, his first report will be due for the nine month period ending 6/30/97, and annually thereafter.

A facility purchased as an on-going concern is not considered a new facility for reimbursement rate determination. Cost data shall be submitted as required prior to the ownership change. Any additional costs, such as increased depreciation, interest, etc., will be reflected in the future year's per diem rates only.

5. New Facilities

For cost reporting purposes, a new facility is defined as a newly constructed facility. A new facility is paid the applicable patient Level of Care rates.

A new facility is not required to file a cost report for rate setting purposes until one full operating year has been completed.

STATE LA
DATE RECD 9-30-96
DATE APPVD 10-17-97
DATE EFF 7-2-96 (LC)
HCFA 179 96-34

A

SUPERSEDES: TN. 95-01

C. Reimbursement to Private Nursing Facilities

1. Cost Determination Definitions

a. Indices

1) CPI - ALL ITEMS - The Consumer Price Index for All Urban Consumers - South Region (All Items line) as published by the United States Department of Labor.

2) CPI - FOOD - The Consumer Price Index for All Urban Consumers - South Region (Food line) as published by the United States Department of Labor.

3) CPI - MEDICAL CARE - The Consumer Price Index for All Urban Consumers - South Region (Medical Care line) as published by the United States Department of Labor.

4) WAGE - The average annual wage for production or non-supervisory service workers in SIC code 80 as furnished by the Dallas Regional Office of the Bureau of Labor Statistics of the U.S. Department of Labor. This figure will be the average annual hourly wage as of December of the prior year. It will be multiplied times 40 hours, times 52 weeks to determine the average annual wage.

b. Economic Adjustment Factors

1. CPI - All Item Factor	Each of these economic adjustment factors is computed by dividing the value of the corresponding Index for December of the year preceding the Rate Year by the value of the index one year earlier (December of the second preceding year).
2. CPI - Food Factor	
3. CPI - Medical Care Factor	
4. Wage Factor	The adjustment factor is calculated by dividing the value of the corresponding average annual hourly wage for December of the year preceding the rate year by the value of the index one year earlier (December of the second preceding year).

c. Rate Year - The rate year is the one year period from July 1 through June 30 of the next calendar year during which a particular set of rates is in effect. It corresponds to a State Fiscal Year.

SUPERSEDES: TN - 95-01

HCFA LA
DATE RECD 9-30-96
DATE APPD 10-17-97
EFF DATE 7-1-96 dac
96-34

d. Base Rate - The base rate is the rate calculated in accordance with C.2.a., plus any base rate adjustments granted in accordance with C.2.b.2) of this section which are in effect at the time of calculation of new rates or adjustments.

e. Fixed Costs - Costs that remain the same regardless of the number of residents. Examples: rent/lease cost of buildings and/or equipment, interest, depreciation, land improvements.

f. Base Rate Components - The base rate is the summation of the components shown in Table I.

TABLE I.

BASE RATE COMPONENT	ECONOMIC ADJUSTMENT FACTOR
Food Costs	CPI - Food
Other Routine Costs	CPI - All Items
Aids Attendant Salaries	Wage
Other Nursing Services	CPI - Medical Care
Fixed Costs	None[1]
Return on Equity	5%

[1] No inflation allowed

STATE LA
DATE R... 9-30-96
DA... 10-17-97
DATE E... 7-2-97 (dau)
HCFA 179 96-34
A

2. Rate Determination

a. Calculation of Base Rate

Separate daily rates are calculated for recipient Levels of Care: IC-I, IC-II, and SN.

Rates are calculated from cost report data. Allowable costs include those costs incurred by facilities to conform with state licensure and Federal certification standards. In addition, general cost principles including HIM 15 principles are applied during the audit and desk review process to determine allowable costs. These general cost principles include determining whether the cost is ordinary, necessary, and related to resident care; the cost is what a prudent and cost conscious business person would pay for the specific good or service in the open market in an arm's length transaction; and the cost is for goods or services actually provided to the facility. Through the audit and desk review process, adjustments and/or disallowances may be made to a provider's reported costs. The 1993 cost report was the most recently audited cost report used in determining the SFY 96-97 rates.

Audited costs for each component at each Level of Care by facility are ranked to determine the value of each component at the 60th percentile. The rate for each component at each Level of Care is calculated by multiplying each specific rate component at the 60th percentile by the corresponding economic adjustment factor as specified in Table 1. Values for each component for each Level of Care are added together to determine rates for each Level of Care.

The 1993 audited cost report items were multiplied by the appropriate economic adjustment factors for each successive year to determine base rate components for FFY 96-97. For subsequent years, the components thus computed become the base rate components to be multiplied by the appropriate economic adjustment factors, unless they are adjusted as provided in Section C.2.b.2.). Application of an inflationary adjustment to reimbursement rates for non-fixed costs in non-rebasing years shall apply only in years when the state legislature allocates funds for this purpose. The inflationary adjustment shall be made by applying the inflation factor applicable to the current fiscal year to the most recently paid non-fixed costs.

At least every three years, audited cost report items will be compared to the rate components calculated for the cost report year to insure that the rates remain reasonably related to costs. The overall rate may be recalculated using the most recent audited cost report items multiplied by the appropriate economic adjustment factors for each successive year, as described above.

1) Formulae

The rate for each Level of Care shall be calculated by using the following formulae:

NFCC=FCC X CPIF
where:
NFCC is the new food cost component
FCC is the current (base) food cost component
CPIF is the CPI- Food Economic Adjustment factor